

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name CHARTER TOWNSHIP OF MADISON	County LENAWEE
Audit Date 12/31/04	Opinion Date 1/24/05	Date Accountant Report Submitted to State: 6/21/2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

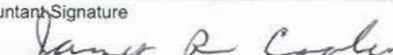
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) COOLEY HEHL WOHLGAMUTH & CARLTON, CPAS, PLLC			
Street Address ONE SOUTH MONROE STREET		City MONROE	State MI
		ZIP 48161	
Accountant Signature 		Date 6/20/05	

CHARTER TOWNSHIP OF MADISON

ANNUAL FINANCIAL REPORT

December 31, 2004

CHARTER TOWNSHIP OF MADISON

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COOLEY HEHL
WOHLGAMUTH & CARLTON
P. L. L. C. Certified Public Accountants

James R. Cooley, CPA
David K. Hehl, CPA
Robert W. Wohlgamuth, CPA
Peter H. Carlton, CPA
Matthew D. Hehl, CPA
Deborah A. Sabo, CPA

One South Monroe Street • Monroe, Michigan 48161-2281
Telephone: (734) 241-7200 • Fax: (734) 241-2637
www.chwccpa.com

Members:
American Institute of Certified Public Accountants
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Certified Public Accountants

Independent Auditor's Report

Board of Trustees
Charter Township of Madison
4008 S. Adrian Highway
Adrian, Michigan 49221

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Madison, Lenawee County, Michigan as of and for the year ended December 31, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Madison, Lenawee County, Michigan management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Madison, Lenawee County, Michigan as of December 31, 2004, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 4 the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, Statement No. 38, *Certain Financial Statement Note Disclosures and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements* as of January 1, 2004. This results in a change in the format and content of the basic financial statements.

The management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 47 through 57, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Trustees
Charter Township of Madison

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Madison, Lenawee County, Michigan basic financial statements. The combining agency fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining agency fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Coolidge Hohl
Wohlgenuth & Carlton

January 24, 2005

CHARTER TOWNSHIP OF MADISON

Management's Discussion and Analysis Year Ended December 31, 2004

As management of the Charter Township of Madison, Lenawee County, Michigan, we offer readers of the Township's financial statements this narrative overview and analysis of the governmental and business-type activities of the Township for the year ended December 31, 2004. This information should be taken into consideration before reading the Township's financial statements, which immediately follow this section. This summary should not be taken as a replacement for the audit which consist of the financial statements and other supplementary information that presents all the Township's revenues and expenditures by program for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Project Fund, and Enterprise Fund.

The Government Accounting Standards Board (GASB) adopted this report in *Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued June, 2000. Because this was the year of implementation certain comparative information (that is normally required) was not available because the Township does not have the resources to restate prior year financial statements in order to get the data. GASB Statement No. 34 permits the omission of comparative information for the first year of adoption of the new reporting model; accordingly, the Township has elected to exclude the information in this report. Subsequent reports will include the comparative information.

Financial Highlights

- ▶ The assets of the Township exceeded its liabilities at the close of the most recent year by \$17,879,974 (net assets). Of this amount, \$1,268,052 (unrestricted net assets) may be used to meet the government's ongoing obligations to its' citizens and creditors.
- ▶ The government's total net assets increased by \$2,753,403.
- ▶ At the close of the year, the Township's governmental funds reported combined ending fund balances of \$1,185,064, an increase of \$390,105 in comparison with the prior year. Approximately 90 percent of this amount, or \$1,068,304, is available for spending at the government's discretion (unreserved fund balance).
- ▶ At the end of the year, the unreserved fund balance for the general fund was \$482,024 or 48 percent of total general fund expenditures.
- ▶ The Township's total bonded debt decreased by \$494,412 during the year. No new debt was issued.

Overview of the Financial Statements

This report is organized so that the reader can understand the Charter Township of Madison financially as a whole. This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components: 1) Government-Wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Financial Statements. This report also contains Required and Other Supplementary Information in addition to the basic financial statements themselves.

CHARTER TOWNSHIP OF MADISON

Management's Discussion and Analysis Year Ended December 31, 2004

Government-Wide Financial Statements

The Government-Wide Financial Statements (pages 11 through 14), which appear first in the Township's financial statements, report information on the Township as a whole and its activities. These statements include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

The Statement of Net Assets presents information on all the township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating. The Statement of Activities presents information showing how the government's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise the change occurs, regardless of the timing of the related cash flows. Thus the revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (i.e., earned but unused vacation leave). The relationship between revenues and expenses indicates the Township's operating results. However, the Township's goal is to provide services to our residents, not to generate profits as commercial entities do. One must consider many other non financial factors, such as the quality of the services provided and the safety of the public to assess the overall health of the Township.

Both of the government-wide statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. These functions can be divided into two following categories:

- ▶ Governmental activities which encompass all the Township's services, including general government services, public safety, and public works. Property taxes, state grants, charges for services, and capital contributions finance most of these activities.
- ▶ Business-type activities which include sanitary sewer and water distribution operations.

The government wide financial and fund financial statements include not only the Township itself (known as the primary government), but also a separate legal entity - the Downtown Development Authority - for which the Township is financially accountable. Because the DDA is considered part of the Township's operations, its data are combined with the primary government as a blended component unit.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State Law and by bond covenants. However, the Township establishes most of its funds to control and manage money for particular purposes or to show that it is properly using revenues. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds - All of the Townships governmental funds are used to account for the same functions as governmental activities in the government-wide financial statements. However, unlike the Government-Wide Financial Statements, Governmental Fund Financial Statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. They are reported using the modified accrual method, which measures cash and all other financial assets that can be converted to cash. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.

CHARTER TOWNSHIP OF MADISON

Management's Discussion and Analysis Year Ended December 31, 2004

Because the focus of the governmental funds is narrower than that of the Government-Wide Financial Statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-Wide Financial Statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliations are provided for the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances, on pages 17 and 20 respectively, to facilitate this comparison between governmental funds and governmental activities.

The Township maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, DDA, building department, fire department building and apparatus, Stone Cove Point debt service, and road construction funds. All of these governmental funds are considered to be and are presented as major funds.

The Township adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 15 through 20 of this report.

Proprietary Fund - The Township maintains a proprietary fund to account for its sanitary sewer and water distribution operations (Enterprise Fund). Enterprise funds are used to report the same functions presented as business-type activities in the Government-Wide Financial Statements.

Proprietary funds provide the same type of information as Government-Wide Financial Statements, only in more detail. The proprietary fund financial statements present information on the Township's sewer and water operations as one major fund.

The basic Proprietary Fund Financial Statements can be found on pages 21 through 24 of this report.

Fiduciary Funds - Agency funds are used to account for assets held by the Township as an agent for the collection and disbursement of property taxes and escrow accounts. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own operations. The accounting used for fiduciary funds is much like that used for proprietary funds.

The only basic fund financial statement required to be reported can be found on page 25 of this report.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the Fund Financial Statements. The notes to the financial statements can be found on pages 26 through 46.

Government-Wide Financial Analysis

Recall that the Statement of Net Assets provides a long-term perspective of the Township's financial position. As indicated earlier and on Table 1 of the following page assets exceeded liabilities by \$17,879,974 at the close of the most recent year.

By far the largest portion of the Township's net assets (63.0 percent) reflects its investment in capital assets (e.g., land, buildings, systems, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since capital assets themselves cannot be used to liquidate these liabilities.

CHARTER TOWNSHIP OF MADISON

Management's Discussion and Analysis Year Ended December 31, 2004

As also depicted in Table 1, the Township's unrestricted net assets totaled \$1,268,052. This amount represents the accumulated results of all past years operations. The unrestricted net asset balance is used for working capital and cash flow needs as well as to provide for future uncertainties. It means that if we had to pay all of our bills off today, including all of our noncapital liabilities we could with our current resources. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this years's operations for the Township as a whole are reported in the Statement of Activities (Table 2), which shows the changes in net assets for the calender year ended December 31, 2004.

Table 1:

Condensed Statement of Net Assets December 31, 2004

	Governmental Activities	Business-type Activities	Total
Current assets	\$1,513,260	\$ 1,057,006	\$ 2,570,266
Restricted assets	-	4,346,111	4,346,111
Capital and other noncurrent assets, net	<u>1,553,138</u>	<u>16,533,420</u>	<u>18,086,558</u>
Total Assets	<u>3,066,398</u>	<u>21,936,537</u>	<u>25,002,935</u>
Current and other liabilities	292,495	568,249	860,744
Long-term liabilities	<u>48,703</u>	<u>6,213,514</u>	<u>6,262,217</u>
Total Liabilities	<u>341,198</u>	<u>6,781,763</u>	<u>7,122,961</u>
Net Assets			
Invested in capital assets, net of related debt	1,553,138	9,707,010	11,260,148
Invested in capacity, net of related debt	-	46,675	46,675
Restricted for prepaid items	54,328	-	54,328
Restricted for fixed asset replacement	51,269	851,900	903,169
Restricted for debt service and construction	1,491	4,346,111	4,347,602
Unrestricted	<u>1,064,974</u>	<u>203,078</u>	<u>1,268,052</u>
Total Net Assets	<u>\$2,725,200</u>	<u>\$15,154,774</u>	<u>\$17,879,974</u>

At the end of the year the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The government's net assets increased by \$2,753,403 during the calender year ended. This increase is primarily attributable to a settlement reached with the State of Michigan regarding its connection to the Central Lenawee County Sewage Disposal System. The Township recognized connection fees in the amount of \$2,700,000 to be collected through a special assessment.

As indicated in Table 2, the cost of all governmental activities this year was \$1.348 million. Of this amount \$0.26 million was subsidized with revenue generated from charges for services with the remaining costs financed with general revenues.

CHARTER TOWNSHIP OF MADISON

Management's Discussion and Analysis Year Ended December 31, 2004

The Township experienced an increase in net assets of governmental activities of \$430,117. However, a significant amount from the DDA fund to be paid to Madison Schools has not yet been determined. This factor will have a significant negative impact on the increase in net assets for governmental activities.

Table 2:

Changes in Net Assets **Year Ended December 31, 2004**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenues			
Program revenues:			
Charges for services	\$ 260,848	\$ 864,202	\$1,125,050
Operating grants and contribution	<u>-</u>	<u>2,830,275</u>	<u>2,830,275</u>
	260,848	3,694,477	3,955,325
General revenues:			
Property taxes	1,174,087	-	1,174,087
State grants (revenue sharing)	505,614	-	505,614
Other	<u>34,268</u>	<u>137,721</u>	<u>171,989</u>
	<u>1,713,969</u>	<u>137,721</u>	<u>1,851,690</u>
Total Revenues	1,974,817	3,832,198	5,807,015
Functions/Program Expenses			
Legislative	26,880	-	26,880
General government	136,642	-	136,642
Public safety	791,837	-	791,837
Public works	50,572	-	50,572
Other functions	130,768	-	130,768
Capital improvements	159,552	-	159,552
Insurance	49,303	-	49,303
Interest on long-term debt	2,342	-	2,342
Water department	-	574,714	574,714
Sewer department	<u>-</u>	<u>1,131,002</u>	<u>1,131,002</u>
Total Expenses	<u>1,347,896</u>	<u>1,705,716</u>	<u>3,053,612</u>
Increase in Net Assets Before Transfers	626,921	2,126,482	2,753,403
Transfers	<u>(196,804)</u>	<u>196,804</u>	<u>-</u>
Increase in Net Assets	<u>\$ 430,117</u>	<u>\$2,323,286</u>	<u>\$2,753,403</u>

CHARTER TOWNSHIP OF MADISON

Management's Discussion and Analysis Year Ended December 31, 2004

Fund Financial Analysis

As noted earlier, the Township uses funds to help control and manage money for specific purposes. Looking at funds helps the reader consider whether the Charter Township of Madison is being held accountable for resources taxpayers and others provide to it and may give more insight into the Township's overall financial health.

As the Township completed this year, governmental funds reported a combined balance of \$1.185 million, which is an increase of \$390,105 from last year. The changes by fund, of which all were considered major funds, are as follows:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Retirement Funds</u>	<u>Capital Projects Funds</u>	<u>Total</u>
Fund balances – Beginning of year	\$662,271	\$122,746	\$12,838	\$(2,896)	\$ 794,959
Increase (decrease)	(125,919)	463,534	(1,675)	54,165	390,105
Fund balances – End of year	<u>\$536,352</u>	<u>\$586,280</u>	<u>\$11,163</u>	<u>\$51,269</u>	<u>\$1,185,064</u>

The Township's General Fund balance decrease is due to many factors. The tables that follow assist in illustrating the financial activities of the General Fund.

Revenues	<u>December 31, 2004</u>	<u>December 31, 2003</u>	<u>Percent Change</u>
Property taxes	\$161,734	\$144,367	12.03%
Licenses and permits	1,810	6,306	(71.30)
State revenue sharing	492,636	533,760	(7.70)
Charges for services	28,754	22,748	26.40
Interest and rentals	12,015	12,612	(4.73)
Ambulance	147,692	280,417	(47.33)
Other	<u>23,803</u>	<u>33,241</u>	<u>(28.39)</u>
Total Revenues	<u>\$868,444</u>	<u>\$1,033,451</u>	<u>(15.97)%</u>

CHARTER TOWNSHIP OF MADISON

Management's Discussion and Analysis Year Ended December 31, 2004

Fund Financial Analysis - Concluded

Expenditures	December 31, 2004	December 31, 2003	Percent Change
Legislative	\$ 26,880	\$ 225,786	(88.09)%
General government	136,642	144,960	(5.74)
Public safety	679,217	708,260	(4.10)
Public works	50,572	48,309	4.68
Other functions	61,300	60,600	1.16
Insurance	<u>49,303</u>	<u>38,662</u>	<u>27.52</u>
Total Expenditures	<u>\$1,003,914</u>	<u>\$1,226,577</u>	<u>(18.15)%</u>

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires the Charter Township Board to adopt the original budget prior to January 1, the start of the fiscal year. Over the course of the year the Township reviewed its budget but did not amend or revise it for any unexpected changes in revenues or expenditures. State law requires that the budget be amended to ensure that the expenditures do not exceed appropriations. A schedule illustrating the Township's original and final budget amounts compared with amounts actually paid and received is provided in the required supplementary information of these statements. As already mentioned, there were no revisions to the budget during the year.

Long-term Contract, Capital Assets and Debt Administration

As of December 31, 2004, the Township had \$3.5 million invested in a long term contract with Lenawee County and \$14.6 million invested in a broad range of capital assets, including, land, building and improvements, machinery and equipment, vehicles, and water and sewer systems. During the year the construction in progress (consisting of \$2.6 million in sewer plant construction) which had been recorded in capital assets was reclassified to show as prepaid capacity contract under noncurrent assets in the statement of net assets. Other additions which totaled \$221,849 included a new ambulance, breathing equipment, and new water and sewer lines. No new debt was issued for these additions. Depreciation this year totaled \$118,121 for governmental activities and \$427,044 for business-type activities. Details regarding capital assets is included in Note 8 to the financial statements.

Debt

At December 31, 2004, the Township's debt consisted mainly of contracts and general obligation for water and sewage disposal system construction. Total debt outstanding was \$6,839,782 as of December 31, 2004. The repayment of debt will be financed partially by special assessments administered through the Township's Tax Collection Agency Fund which collects special assessments for the Township's Enterprise Fund. A detailed summary of changes in long-term debt is located in Note 9 to the financial statements.

CHARTER TOWNSHIP OF MADISON

Management's Discussion and Analysis Year Ended December 31, 2004

Development of the 2005 Fiscal Year Budget

Our elected officials considered many factors when setting the Township's 2005 fiscal year budget. Based primarily on the last fiscal year's spending patterns, thought is also given to factors affecting the budget, like decreased revenue sharing from the state, since it accounts for over half of our General Fund revenues. The Township has taken several measures to help control the rising costs of governmental services. The Township reviewed and obtained lower insurance rates for its fleet of vehicles currently in use, controlling the rising cost of liability insurance. We will continue to watch our budget closely as we continue to upgrade our public safety programs and roads using money received from property taxes. To offset the ever increasing costs of the operation of the public safety divisions, adjustments have been made in the charges for ambulance services, both for services within the Township and services to the surrounding units of government.

Economic Factors

During 2004, the Township established a bank account and designated it the Central Sewer Bank account. It designated this account for all collections from sewer assessments and connection fees, earmarking them to reduce long-term debt. As the Township continues to undergo new development it will collect water and sewer connection fees to be applied against its outstanding debt in the water and sewer fund. During the fiscal year 2005, two large road projects have been approved and the contracts signed for the same. Also the extension of sewer service to the western part of the Township is expected to be under construction by the fall of 2005. Also a sewer rehabilitation project on the main discharge line is scheduled for 2005. Estimated costs of sewer work \$1,200,000. Road projects estimated at \$250,000. The Township is also undergoing a rate study to provide a more fair and uniform rate structure for its water and sewer customers. The rate study contracted with Progressive should be ready for the board to review by sometime in the summer of 2005.

Contacting the Charter Township of Madison

This financial report is designed to provide the Township's citizens, taxpayers, customers, investors, and creditors with a general overview of the Townships finances to demonstrate its accountability for the money it receives. If you have any questions about this report or any of its information, contact the Charter Township of Madison Clerk, 4008 South Adrian Highway, Adrian, MI 49221. Our phone number is 517-263-9313.

CHARTER TOWNSHIP OF MADISON

Statement of Net Assets December 31, 2004

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and money management accounts	\$784,218	\$164,676	\$948,894
Certificates of deposit	261,167	733,676	994,843
Investments	123,004	0	123,004
Receivables:			
Accounts	61,233	155,910	217,143
Special Assessments	45,365	0	45,365
Interest receivable	2,294	2,744	5,038
Due from other governments	181,651	0	181,651
Prepaid expenses	54,328	0	54,328
 Total Current Assets	 1,513,260	 1,057,006	 2,570,266
Restricted assets			
Cash and money management accounts	0	153,385	153,385
Cash with fiscal agent	0	1,235	1,235
Bond financing costs	0	29,447	29,447
Special assessments receivable	0	4,162,044	4,162,044
 Total Restricted Assets	 0	 4,346,111	 4,346,111
Noncurrent assets			
Prepaid capacity contract (net)	0	3,504,285	3,504,285
Capital assets:			
Nondepreciated	237,401	510	237,911
Depreciated (net)	1,315,737	13,028,625	14,344,362
 Total Non Current Assets	 1,553,138	 16,533,420	 18,086,558
 Total Net Assets	 \$3,066,398	 \$21,936,537	 \$25,002,935

See accompanying notes to the basic financial statements

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities			
Accounts payable	\$52,040	\$33,913	\$85,953
Accrued wages	33,587	2,665	36,252
Other liabilities	12,161	2,065	14,226
Accrued compensated absences	3,330	0	3,330
Accrued interest	0	60,714	60,714
Internal balances	98,327	(98,327)	0
Deferred revenue	77,016	0	77,016
Due to other governments	12,565	998	13,563
Current portion of long-term debt net of related discount	3,469	566,221	569,690
Total Current Liabilities	292,495	568,249	860,744
Noncurrent liabilities			
Bonds and notes payable(net of related discount)	48,703	6,213,514	6,262,217
Total Liabilities	341,198	6,781,763	7,122,961
NET ASSETS			
Invested in capital assets net of related debt	1,553,138	9,707,010	11,260,148
Invested in capacity net of related debt	0	46,675	46,675
Restricted for:			
Prepaid items	54,328	0	54,328
Fixed asset replacement	51,269	851,900	903,169
Debt service and construction	1,491	4,346,111	4,347,602
Unrestricted	1,064,974	203,078	1,268,052
Total Net Assets	2,725,200	15,154,774	17,879,974
Total Liabilities and Net Assets	\$3,066,398	\$21,936,537	\$25,002,935

CHARTER TOWNSHIP OF MADISON

Statement of Activities Year Ended December 31, 2004

Functions / Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Legislative	\$26,880	\$0	\$0	\$0
General government	136,642	0	0	0
Public safety	791,837	241,855	0	0
Public works	50,572	18,994	0	0
Other functions	130,768	0	0	0
Capital improvements	159,553	0	0	0
Insurance	49,303	0	0	0
Interest on long-term debt	2,341	0	0	0
Total Governmental Activities	1,347,896	260,849	0	0
Business-Type Activities:				
Water Department	574,714	265,766	59,598	0
Sewage Department	1,131,002	598,436	2,770,677	0
Total Business-Type Activities	1,705,716	864,202	2,830,275	0
Total Primary Government	\$3,053,612	\$1,125,051	\$2,830,275	\$0

General revenues:

Taxes

Property taxes

Grants and contributions not restricted:

Revenue sharing

Interest

Gain (Loss) on the sale of assets

Transfers

Total General Revenues and Transfers

Change in net assets

Net Assets, January 1, 2004

Net Assets, December 31, 2004

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
(\$26,880)	\$0	(\$26,880)
(136,642)	0	(\$136,642)
(549,982)	0	(\$549,982)
(31,578)	0	(\$31,578)
(130,768)	0	(\$130,768)
(159,553)	0	(\$159,553)
(49,303)	0	(\$49,303)
(2,341)	0	(\$2,341)
(1,087,047)	0	(1,087,047)
0	(249,350)	(249,350)
0	2,238,111	2,238,111
0	1,988,761	1,988,761
(\$1,087,047)	\$1,988,761	\$901,714
\$1,174,087	\$0	\$1,174,087
505,614	0	505,614
24,716	137,721	162,437
9,551	0	9,551
(196,804)	196,804	0
1,517,164	334,525	1,851,689
430,117	2,323,286	2,753,403
2,295,083	12,831,488	15,126,571
\$2,725,200	\$15,154,774	\$17,879,974

CHARTER TOWNSHIP OF MADISON

Governmental Funds Balance Sheet

December 31, 2004

	General Fund	Downtown Development Authority	Building Department Fund
Assets			
Cash and money management accounts	\$62,079	\$499,874	\$28,895
Certificates of deposit	50,000	211,167	0
Investments	123,004	0	0
Receivables:			
Accounts, net	61,233	0	0
Special assessments	0	0	0
Interest receivable	437	1,857	0
Due from other funds	108,056	0	0
Due from other governments	181,651	0	0
Prepaid expenses	54,328	0	0
Total Assets	\$640,788	\$712,898	\$28,895
Liabilities			
Accounts payable/retainage	\$22,012	\$0	\$4,120
Accrued wages	33,587	0	0
Due to other funds	0	200,000	6,383
Due to other governments	12,565	0	0
Other liabilities	12,161	0	0
Deferred revenues	24,111	0	0
Total Liabilities	104,436	200,000	10,503
Fund Balance			
Reserved for capital improvements	0	0	0
Reserved for prepaid items	54,328	0	0
Reserved for debt service	0	0	0
Unreserved	482,024	512,898	18,392
Total Fund Balances	536,352	512,898	18,392
Total Liabilities and Fund Balances	\$640,788	\$712,898	\$28,895

See accompanying notes to the basic financial statements

Fire Building And Apparatus Fund	Stone Cove Pt Debt Service Fund	Road Construction Fund	Total Governmental Funds
\$104,797	\$8,447	\$80,126	\$784,218
0	0	0	261,167
0	0	0	123,004
0	0	0	61,233
0	45,365	0	45,365
0	0	0	2,294
0	0	0	108,056
0	0	0	181,651
0	0	0	54,328
<u>\$104,797</u>	<u>\$53,812</u>	<u>\$80,126</u>	<u>\$1,621,316</u>
\$25,759	\$149	\$0	\$52,040
0	0	0	33,587
0	0	0	206,383
0	0	0	12,565
0	0	0	12,161
24,048	42,500	28,857	119,516
49,807	42,649	28,857	436,252
0	0	51,269	51,269
0	0	0	54,328
0	11,163	0	11,163
54,990	0	0	1,068,304
<u>54,990</u>	<u>11,163</u>	<u>51,269</u>	<u>1,185,064</u>
<u>\$104,797</u>	<u>\$53,812</u>	<u>\$80,126</u>	<u>\$1,621,316</u>

CHARTER TOWNSHIP OF MADISON

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets

December 31, 2004

Total Fund Balances - Governmental Funds

\$1,185,064

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Governmental noncurrent assets	\$2,493,989	
Less accumulated depreciation	<u>(940,851)</u>	1,553,138

Deferred Revenue is recognized as special assessments revenue on a modified accrual basis as money is collected in the governmental funds. However in the statement of net assets it is recognized as revenue in the year earned or when the special assessment project was completed.

42,500

Long-term liabilities including accrued compensated absences and long-term general obligations are not due and payable in the current year and therefore are not reported in the governmental funds.

Compensated absences	(3,330)	
General obligations	<u>(52,172)</u>	<u>(55,502)</u>

Total Net Assets - Governmental Activities

\$2,725,200

See accompanying notes to the basic financial statements

CHARTER TOWNSHIP OF MADISON

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

December 31, 2004

	General Fund	Downtown Development Authority	Building Department Fund
Revenues:			
Taxes	\$168,053	\$646,945	\$0
Special assessments	0	0	0
Licenses and permits	1,810	0	58,790
State revenue sharing	492,636	0	0
Charges for services	28,754	0	0
Fines and forfeits	4,809	0	0
Interest and rentals	10,361	9,848	104
Ambulance services	147,692	0	0
Other revenues	14,329	0	0
	<hr/>	<hr/>	<hr/>
Total Revenues	868,444	656,793	58,894
	<hr/>	<hr/>	<hr/>
Expenditures:			
Legislative	26,880	0	0
General government	136,642	0	0
Public safety	679,217	0	62,992
Public works	50,572	0	0
Other Functions	61,300	975	0
Capital outlay	0	0	0
Insurance	49,303	0	0
Debt service	0	0	0
	<hr/>	<hr/>	<hr/>
Total Expenditures	1,003,914	975	62,992
	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenues over Expenditures	(135,470)	655,818	(4,098)
	<hr/>	<hr/>	<hr/>
Other Financing Sources (Uses):			
Sale of assets	9,551	0	0
Operating transfers (out)	0	(196,804)	0
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	9,551	(196,804)	0
	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	(125,919)	459,014	(4,098)
	<hr/>	<hr/>	<hr/>
Fund Balances - Beginning of Year	662,271	53,884	22,490
	<hr/>	<hr/>	<hr/>
Fund Balances - End of Year	\$536,352	\$512,898	\$18,392
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to the basic financial statements

Fire Building And Apparatus Fund	Stone Cove Pt Debt Service Fund	Road Construction Fund	Total Governmental Funds
\$166,095	\$0	\$199,314	\$1,180,407
0	1,744	0	1,744
0	0	3,413	64,013
9,565	0	0	502,201
0	0	0	28,754
0	0	0	4,809
217	2,211	320	23,061
0	0	0	147,692
0	0	0	14,329
175,877	3,955	203,047	1,967,010
0	0	0	26,880
0	0	0	136,642
0	0	0	742,209
0	0	4,227	54,799
0	0	0	62,275
167,259	0	144,655	311,914
0	0	0	49,303
0	5,630	0	5,630
167,259	5,630	148,882	1,389,652
8,618	(1,675)	54,165	577,358
0	0	0	9,551
0	0	0	(196,804)
0	0	0	(196,804)
8,618	(1,675)	54,165	390,105
46,372	12,838	(2,896)	794,959
\$54,990	\$11,163	\$51,269	\$1,185,064

CHARTER TOWNSHIP OF MADISON

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

December 31, 2004

Net Change in Fund Balances - Total Governmental Funds	\$390,105
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:

Expenditures for capital assets	\$156,588	
Less current year depreciation	<u>(118,121)</u>	38,467

Deferred revenue is recognized as revenue in the governmental funds as cash is received on a modified accrual basis. However, under the full accrual basis of accounting, special assessment revenue is recognized in the year earned.	(1,744)
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment of bonds reduces long-term liabilities in the Statement of Net Assets.	3,289
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Change in Net Assets of Governmental Activities	<u><u>\$430,117</u></u>
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See accompanying notes to the basic financial statements

CHARTER TOWNSHIP OF MADISON

Statement of Net Assets Proprietary Fund December 31, 2004

	Business-type Activities Enterprise Fund
Assets	
Current Assets:	
Cash and money management accounts	\$164,676
Certificates of deposit	733,676
Accounts receivable	155,910
Interest receivable	2,744
Due from other funds	200,000
Total Current Assets	1,257,006
Restricted Assets:	
Construction:	
Cash	2,905
Cash with fiscal agent	1,235
Debt retirement:	
Cash	150,480
Bond financing costs(net of amortization)	29,447
Special assessments receivable	4,162,044
Total Restricted Assets	4,346,111
Noncurrent Assets:	
Intangible Assets:	
Lenawee County Sewage Disposal System capacity contract	3,533,733
Less: accumulated amortization	29,448
Total Intangible Assets	3,504,285
Capital Assets	19,619,760
Less: allowance for depreciation	6,590,625
Total Capital Assets	13,029,135
Total Noncurrent Assets	16,533,420
Total Assets	\$22,136,537

See accompanying notes to the basic financial statements

	Business-type Activities Enterprise Fund
Liabilities	
Current Liabilities (payable from current assets):	
Accounts payable	\$33,913
Deposit payable	2,065
Accrued payroll	2,665
Accrued interest	60,714
Due to other governments	998
Due to other funds	101,673
Total Current Liabilities	202,028
Current Liabilities (payable from restricted assets):	
Bonds payable - water	45,000
Contract payable - water	195,000
Contract payable - water	190,000
Contract payable - sewer	136,221
Total Current Liabilities (payable from restricted assets)	566,221
Noncurrent Liabilities (net of current portion):	
Bonds payable - water	300,000
Contract payable - water(net of \$7,875 discount)	312,125
Contract payable - water	2,280,000
Contract payable - sewer	3,321,389
Total Noncurrent Liabilities (net of current portion)	6,213,514
Total Liabilities	6,981,763
Net Assets	
Invested in capital assets(net of related debt)	9,707,010
Invested in sewer capacity(net of related debt)	46,675
Restricted:	
Construction	4,140
Debt Service	4,341,971
Sewer system replacement	851,900
Unrestricted	203,078
Total Net Assets	15,154,774
Total Liabilities and Net Assets	\$22,136,537

CHARTER TOWNSHIP OF MADISON

Statement of Revenues, Expenses and Changes in Net Assets Proprietary Funds Year Ended December 31, 2004

	Business-type Activities - Enterprise Funds		
	Water Department	Sewer Department	Total
Operating Revenues:			
Charges for services	\$259,023	\$593,296	\$852,319
Other revenue	6,743	5,140	11,883
Total Operating Revenues	265,766	598,436	864,202
Operating Expenses:			
Wages	51,488	51,488	102,976
Employee benefits	23,337	23,337	46,674
Transmission and distribution	45,690	505,693	551,383
Office expense	17,712	4,771	22,483
Professional fees	8,038	34,323	42,361
Insurance	5,838	5,838	11,676
Utilities	13,445	14,494	27,939
Vehicle expense	1,797	2,334	4,131
Miscellaneous	2,234	382	2,616
Depreciation	197,976	229,068	427,044
Amortization	15,712	29,448	45,160
Total Operating Expenses	383,267	901,176	1,284,443
Net Operating Income (Loss)	(117,501)	(302,740)	(420,241)
Non-Operating Revenues (Expenses):			
Interest income	77,246	60,475	137,721
Interest and fiscal charges	(191,447)	(229,826)	(421,273)
Total Non-Operating Revenues (Expenses)	(114,201)	(169,351)	(283,552)
Income (loss) before contributions and transfers	(231,702)	(472,091)	(703,793)
Capital contributions	59,598	2,770,677	2,830,275
Transfers from other funds	196,804	0	196,804
Change in Net Assets	24,700	2,298,586	2,323,286
Net Assets, Beginning of year, as restated	5,399,037	7,432,451	12,831,488
Net Assets, End of year	\$5,423,737	\$9,731,037	\$15,154,774

See accompanying notes to the basic financial statements

CHARTER TOWNSHIP OF MADISON

Statement of Cash Flows Proprietary Funds Year Ended December 31, 2004

	Business-type Activities Enterprise Fund
Cash Flows From Operating Activities	
Cash received from customers	\$857,547
Cash paid to suppliers	(723,739)
Cash paid to employees	(107,314)
Water and sewer fund expenses paid by the General fund	30,244
	<hr/>
Net cash provided by operating activities	56,738
Cash Flows From Noncapital Financing Activities	
Transfers from other funds	196,804
Cash Flows From Capital and Related Financing Activities	
Construction and acquisition of capital assets	(65,261)
Connection fees and special assessments collected	251,066
Payments for Lenawee sewage disposal system capacity contract	(916,527)
Principal payments on contracts and bonds payable	(491,123)
Interest payments on long term debt	(360,559)
	<hr/>
Net cash provided (used) by capital and related financing activities	(1,582,404)
Cash Flows From Investing Activities	
Interest income	137,721
	<hr/>
Net increase in cash and cash equivalents	(1,191,141)
Cash and cash equivalents at beginning of year	2,244,113
	<hr/>
Cash and cash equivalents at end of year	<u><u>\$1,052,972</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	(\$420,241)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	427,044
Amortization	45,160
Changes in assets and liabilities:	
Receivables - net of allowances	(6,655)
Accounts payable	(15,474)
Accrued payroll	(4,338)
Due to other governments	998
Due to other funds	30,244
	<hr/>
Net cash provided by operating activities	<u><u>\$56,738</u></u>

See accompanying notes to the basic financial statements

CHARTER TOWNSHIP OF MADISON

Statement of Assets and Liabilities Agency Funds December 31, 2004

	Total Agency Funds
ASSETS	
Cash in bank	\$827,576
Due from other funds	1,975,371
Total Assets	<u>\$2,802,947</u>
LIABILITIES	
Performance bond payable	\$31,517
Due to taxing units	2,771,430
Total Liabilities	<u>\$2,802,947</u>

See accompanying notes to the basic financial statements

CHARTER TOWNSHIP OF MADISON

Notes to Financial Statements Year Ended December 31, 2004

Note 1

Description of the Township and Reporting Entity

The Township operates under a locally elected seven member Board form of government. The Township provides the following services: public safety (fire protection, police, and ambulance service), road construction, cemetery care, public improvements, planning and zoning, construction code inspections, water and sewer, and general administrative services.

Reporting Entity

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 "*The Financial Reporting Entity*," these financial statements present the Charter Township of Madison (the primary government). The criteria established by the GASB for determining the reporting entity includes fiscal dependency and whether the financial statements would be misleading if the data were not included.

Blended Component Unit

Downtown Development Authority

The Downtown Development Authority (DDA) is a legally separate entity created by the Township for the purpose of financing the construction of a municipal water system within the DDA district. Because the DDA is considered part of the government operations its data is combined with the data of the primary government.

Note 2

Summary of Significant Accounting Policies

The financial statements of the Charter Township of Madison have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Township also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The following are more significant of the Township's accounting policies.

A. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. As a general rule, the effect of inter-fund activity has been removed from these statements. Governmental activities which normally are supported by general government revenues (i.e., property taxes, revenue sharing, fines, permits, and charges) and intergovernmental revenues are reported separately from business-type activities which rely, to a significant extent, on fees and charges for support. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by the related program revenues, operating and capital grants. *Direct expenses* are those that are clearly identifiable with a specific function or business-type activity. *Program revenues* must be directly associated with the function or business-type activity. Program revenues include 1) fines and forfeitures, licenses and permits fees, special assessments, and charges for services and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Separate financial statements are provided for governmental funds and proprietary funds. Major governmental funds are reported as separate columns in the fund financial statements.

CHARTER TOWNSHIP OF MADISON

Notes to Financial Statements Year Ended December 31, 2004

Note 2

Summary of Significant Accounting Policies (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements (statement of net assets and statement of activities) are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all the eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to claims and judgements, are recorded only when payment is due.

On the governmental funds statements, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The basic financial statements include both government-wide (based in the Township as a whole) and fund financial statements. While the previous model emphasized fund types (the total of all funds of a particular type), in the new reporting model the focus is on either the Township as a whole or major individual funds (within the individual fund financial statements). Both the government-wide and fund financial statements categorize activities as either governmental or business-type activities.

In the Government-Wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The Township has elected to treat all of its funds as major funds and accordingly, reports them all in the fund financial statements.

The Township reports the following major governmental funds:

General Fund

The General Fund is the primary operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Downtown Development Authority

The Downtown Development Authority is used to account for tax increment financing revenues designated for the planned and orderly revitalization of the Township's downtown business district. Because the activity of the fund is an integral part of the Township's operations it is not separately reported as a component unit but with the activities of the primary government.

CHARTER TOWNSHIP OF MADISON

Notes to Financial Statements Year Ended December 31, 2004

Note 2

Summary of Significant Accounting Policies (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Building Department Fund

The Building Department Fund is used to account for all revenues collected from building, mechanical, electrical, and plumbing permit fees that are restricted to enforcement of the Township's construction ordinances.

Fire Building and Apparatus Fund

The Fire Building and Apparatus Fund accounts for revenue from the Township's tax collections to be used for fire protection or replacement of equipment.

Stone Cove Point Debt Service Fund

The Stone Cove Point Debt Service Fund is used to account the accumulation of resources for, and the payment of, principal, interest, and related costs associated with the Township's long-term obligations.

Road Construction Fund

The Road Construction Fund is used to account for the Township's tax collections used for the construction of roads.

The Township reports the following major proprietary fund:

Enterprise Funds

The Enterprise Fund is used to account for the operations (1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis is financed or recovered primarily through user charges, or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Water and Sewage Disposal Fund is the only Enterprise Fund in this report.

In accordance with GASB Statement 20, the Township has elected not to apply FASB statements and interpretations issued after November 30, 1989, to its financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewage disposal fund are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, amortization, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Additionally, the Township reports the following fund types:

CHARTER TOWNSHIP OF MADISON

Notes to Financial Statements Year Ended December 31, 2004

Note 2

Summary of Significant Accounting Policies (Concluded)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Agency Funds

Agency Funds are used to account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. These funds are reported in the fund financial statements only because they do not report resources under the control of the Township. The fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

C. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Township to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

D. Assets, Liabilities, and Net Assets

Cash and Cash Equivalents

For purposes of the statement of cash flows for the Proprietary Fund, cash and cash equivalents include cash and money management accounts, restricted cash and money management accounts, cash with fiscal agent, and petty cash.

There were no investing, capital, or financing activities that affected recognized assets or liabilities but did not result in cash receipts or payments in the Proprietary Fund cash flows statements.

Due From Other Governments

Amounts due from other governments include amounts due from grantors for specific program and capital projects. Program grants and capital grants for fixed assets are recorded as receivables and revenues at the time the reimbursable project costs are incurred. Revenues received in advance of the project costs being incurred as deferred.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

Proprietary Funds, because of certain bond covenants, are required to establish and maintain prescribed amounts of resources, such as cash, that can be used only to service outstanding debt.

Intangible Assets

Intangible assets acquired as a result of contract provisions are reported in the business type activities column in the government-wide financial statements. Intangible assets that are identifiable, are recorded at their historical cost of development or acquisition, and amortized based on their estimated useful lives not to exceed 40 years. Amortization of intangible assets is charged as a program expense in the statement of activities and as an operating expense in the proprietary fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of at least \$3,000 and an estimated useful life in excess of two years.

CHARTER TOWNSHIP OF MADISON

Notes to Financial Statements Year Ended December 31, 2004

Note 2 Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets (Continued)

Capital Assets (Concluded)

These assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of the normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phases of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the year, no interest was capitalized.

Depreciation of all exhaustible capital assets used by the Township is charged as an expense against its various functions. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

	<u>Years</u>
Land improvements	15
Building and building improvements	15-75
Police vehicles	2-3
Fire vehicles	10-20
Ambulance vehicles	10
Public safety equipment	5-20
Township office equipment	5-10

Interfund Balances

On the fund financial statements, receivables and payables resulting from short term interfund loans are classified as "due to/from other funds." These amounts are eliminated in the governmental activities column of the statement of net assets. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Accrued Liabilities and Long-Term Obligations

In the government-wide financial statements and proprietary fund financial statements, long term debt, notes, and other obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund types statement of net assets.

In general, payables and accrued liabilities that once incurred, are paid in a timely manner, and in full from current financial resources, are reported as obligations of the funds. However, claims and judgements that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Payments of long-term loans that are paid from governmental funds, are recognized as an expenditure on the governmental fund financial statements when due.

In the fund financial statements, governmental fund types recognize bond premiums and discounts as well as issuance costs during the current period. The face amount of the debt is reported as other financing sources. Premiums and discounts are reported as other financing sources (uses) while issuance costs are reported as expenditures.

CHARTER TOWNSHIP OF MADISON

Notes to Financial Statements Year Ended December 31, 2004

Note 2 Summary of Significant Accounting Policies (Concluded)

D. Assets, Liabilities, and Net Assets (Concluded)

Compensated Absences

Township employees are granted vacation and personal days under formulas and conditions in the employees contract or Township policy. The vacation and personal pay are accrued in the government wide financial statements. In the fund financial statements, these amounts are reported when paid as wages.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets and capacity, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

Note 3 Stewardship, Compliance, and Accountability Budget Policy and Budgetary Accounting

Budgetary comparison schedules are required to be presented as Required Supplementary Information for the General Fund and each major Special Revenue Fund for which an annual budget has been adopted. Under the new reporting model GASB Statement No. 34 the following information is to be reported:

- Original Budget
- Final Budget
- Actual inflows, outflows and balances on a budgetary basis

The Township has presented the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Project Fund in the Budgetary Comparison Schedules as Required Supplementary Information.

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund, all Special Revenue Funds, the Capital Project Fund, and the Debt Service Fund. The legal level of budgetary control is the department level. All unexpended appropriations lapse at fiscal year end. The Township does not utilize encumbrance accounting.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Township supervisor submits to the Board of Trustees a proposed operating budget for the fiscal year beginning Jan 1.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to December the budget is legally enacted through a Board resolution.
4. Any revisions of the budget must be approved by a Board resolution.
5. Budgets are adopted on a basis consistent with generally accepted accounting principles.
6. Budgeted amounts are as originally adopted, or as amended by the Board of Trustees. There were not individual amendments in relation to the original appropriation.

CHARTER TOWNSHIP OF MADISON

Notes to Financial Statements Year Ended December 31, 2004

Note 4 Change in Accounting Principles and Restatement of Fund Balance Change in Accounting Principles

As of and for the year ended December 31, 2004 the Township implemented the following Governmental Accounting Standards Board Pronouncements.

Statements

No.33 - *Accounting and Financial Reporting for Nonexchange Transactions*

No.34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*

No.36 - *Recipient Reporting for Certain Shared Nonexchange Revenues - An Amendment of GASB No.33*

No.37 - *Basic Financial Statements and Management Discussion and Analysis - for State and Local Governments; Omnibus*

No.38 - *Certain Financial Statement Note Disclosures*

The more significant of the changes required by the new standards include:

Basic financial statements that include:

Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;

Fund financial statements, consisting of a series of statements that focus on a government's major governmental funds and enterprise funds;

Notes to the basic financial statements

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

Restatement of Fund Balance to Net Assets

The restatements for GASB Statement No. 34 had the following effects on the transition from governmental fund balance to net assets of governmental activities.

Government-wide financial statements. Beginning net assets for total governmental activities was determined as follows:

Fund balance of General Fund as of December 31, 2003	\$ 662,271
Fund balances of Special Revenue Fund as of December 31, 2003	122,746
Fund balances of Debt Service Fund as of December 31, 2003	12,838
Fund balances of Capital Improvements Fund as of December 31, 2003	(2,896)

GASB 34 Adjustments

Balance of Stone Cove Point Deferred Revenue as of December 31, 2003	44,244
Capital assets, net of depreciation	1,514,671
Long-Term Liabilities	<u>(58,791)</u>

Governmental Net Assets, restated, as of January 1, 2004 \$2,295,083

CHARTER TOWNSHIP OF MADISON

Notes to Financial Statements Year Ended December 31, 2004

Note 5

Deposits

Statutes authorize the Township to invest in obligations of the U.S. Treasury, agencies, and instrumentalities; commercial paper within the three highest rate classifications by at least two rating services; bankers' acceptances of U.S. banks, U.S. or agency repurchase agreements; savings accounts and certificates of deposit with banks and savings and loan associations, or credit unions which are insured with the applicable federal agency.

The Charter Township of Madison Board has authorized four depositories: United Bank & Trust, Bank of Lenawee, Sky Bank and Standard Federal Bank.

Deposits are carried at cost. The carrying amount of deposits is separately displayed on the balance sheet as "Cash in bank" and "Certificates of deposit," "Restricted assets: cash in bank," and "Restricted assets: cash with fiscal agent."

The following is a summary of these deposits:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured:		
FDIC	\$ 400,000	\$ 400,000
Uninsured:		
Uncollateralized	<u>2,648,937</u>	<u>2,782,111</u>
Total Deposits	<u>\$3,048,937</u>	<u>\$3,182,111</u>

Note 6

Marketable Securities

The Township reporting conforms to the Government Accounting Standards Board Statement No. 31 (GASB 31), "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." Under GASB 31, investments in U.S. government securities, corporate bonds and certificates of deposit with an original maturity at time of purchase of one year or less are stated at amortized cost. All other investments are recorded at fair value, based on quoted market prices.

Investments are classified into three categories of custodial credit risk as follows:

- Category 1: Insured or registered, or securities held by the entity or its agent in the entity's name.
- Category 2: Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name.
- Category 3: Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the entity's name. (This includes the portion of the carrying amount of any repurchase agreement that exceeds the market value of the underlying securities.)

Investments in marketable securities of the General Fund include the following:

	<u>Cost</u>	<u>Fair Value</u> <u>12/31/03</u>	<u>Purchases</u>	<u>Sales</u>	<u>Subtotal</u>	<u>Fair Value</u> <u>12/31/04</u>	<u>Change in</u> <u>Fair Value</u>
Category 2:							
Held by Agent:							
Investment Pool	<u>\$206,141</u>	<u>\$206,141</u>	<u>\$1,863</u>	<u>\$85,000</u>	<u>\$83,137</u>	<u>\$123,004</u>	<u>\$83,137</u>

CHARTER TOWNSHIP OF MADISON

Notes to Financial Statements Year Ended December 31, 2004

Note 7 Intangible Assets

In an agreement dated May 1, 2002 Lenawee County agreed to construct the Central Lenawee Sewage Disposal System for the benefit of Madison Township and Palmyra Township. The construction was to be financed by the Lenawee County Sewage Disposal Bonds, Series 2003A.

Both Madison Township and Palmyra Township agreed to pay the cost of constructing the facility by paying bond principal and interest payments as they mature based on each Township's share of capacity.

The agreement dated May 1, 2002 states that Lenawee County owns the Central Lenawee County Sewage Disposal System and that the Townships are buying guaranteed capacity for a period of 40 years. Therefore, the \$3,533,733 that Madison Township has agreed to as its share of bond principal has been recorded on the basic financial statements as a capacity contract. The Township is currently amortizing this cost over the period of guaranteed capacity, 40 years. The annual amortization expense will be \$88,343.

Madison Township began using the system in September, 2004. For the year ended 2004 the Township recognized four months of amortization expense in the amount of \$29,448.

Amortization expense for each of the following five years and years thereafter are as follows:

2005	\$ 88,343
2006	88,343
2007	88,343
2008	88,343
2009	88,343
2010 to 2044	<u>3,062,570</u>
	<u>\$3,504,285</u>

CHARTER TOWNSHIP OF MADISON

Notes to Financial Statements Year Ended December 31, 2004

Note 8

Capital Assets

A summary of changes in capital assets follows:

	Balance January 1, 2004	Additions	Deletions	Balance December 31, 2004
<u>Government Activities</u>				
Assets not being depreciated:				
Land	\$233,107	\$4,294	\$0	\$237,401
Capital assets being depreciated:				
Buildings and Building Improvements	759,401	0	0	759,401
Police Vehicles	58,286	0	0	58,286
Fire Vehicles	1,137,821	0	(75,000)	1,062,821
Fire Equipment	63,579	100,777	0	164,356
Ambulance Vehicles	188,900	0	(80,000)	108,900
Ambulance Equipment	24,132	51,517	0	75,649
Office Equipment	27,175	0	0	27,175
	2,492,401	156,588	(155,000)	2,493,989
Less accumulated depreciation for:				
Buildings and Building Improvements	(185,873)	(12,389)	0	(198,262)
Police Vehicles	(37,784)	(9,841)	0	(47,625)
Fire Vehicles	(595,808)	(62,249)	(75,000)	(583,057)
Fire Equipment	(30,947)	(9,674)	0	(40,621)
Ambulance Vehicles	(100,873)	(10,890)	(80,000)	(31,763)
Ambulance Equipment	(12,428)	(9,903)	0	(22,331)
Office Equipment	(14,017)	(3,175)	0	(17,192)
Total accumulated depreciation	(977,730)	(118,121)	(155,000)	(940,851)
Net capital assets	\$1,514,671	\$38,467	\$0	\$1,553,138

CHARTER TOWNSHIP OF MADISON

Notes to Financial Statements Year Ended December 31, 2004

Note 8 Capital Assets (Concluded)

	Balance January 1, 2004	Additions	Deletions	Balance December 31, 2004
<u>Business-type Activities</u>				
Capital assets not depreciated:				
Construction in process	\$2,617,716	\$0	\$2,617,206	\$510
Capital assets being depreciated:				
Vehicles and equipment	149,972	0	0	149,972
Buildings and improvements	31,830	0	0	31,830
Water and sewer lines	19,372,187	65,261	0	19,437,448
Totals capital assets	22,171,705	65,261	2,617,206	19,619,760
Less accumulated depreciation for:				
Vehicles and equipment	76,004	15,063	0	91,067
Buildings and improvements	8,445	1,273	0	9,718
Water and sewer lines	6,079,132	410,708	0	6,489,840
Total accumulated depreciation	6,163,581	427,044	0	6,590,625
Business-Type Activities - Net Capital Assets	<u>\$16,008,124</u>	<u>(\$361,783)</u>	<u>\$2,617,206</u>	<u>\$13,029,135</u>
Depreciation expense was charged to business-type functions as follows:				
Water				\$197,976
Sewer				<u>229,068</u>
Total Depreciation Expense - Business-Type Activities				<u>\$427,044</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Public safety	\$112,620
Other functions	<u>5,501</u>
Total depreciation expense - governmental activities	<u>\$118,121</u>

CHARTER TOWNSHIP OF MADISON

Notes to Financial Statements Year Ended December 31, 2004

Note 9

Long-Term Debt

Following is a summary of changes in long-term debt:

	Balance December 31, 2003	Additions	Deletions	Balance December 31, 2004
2003 contract payable to Lenawee County for sewage disposal system construction, bearing interest at rates 3.0% to 4.6%	\$3,533,733	\$0	\$76,123	\$3,457,610
2003 Lenawee County Refunding Bonds for 1992 debt retirement bearing interest at rates 1.0% to 2.5%.	700,000	0	185,000	515,000
1997 contract payable to Lenawee County for water system construction bearing interest at rates 4.8% to 5.0%	2,660,000	0	190,000	2,470,000
1995 Water Supply System General Obligation Bonds, bearing interest at rates 4.2% to 6.0%.	385,000	0	40,000	345,000
Total Enterprise Fund	7,278,733	0	491,123	6,787,610
2001 Special Assessment Loan issued with the Bank of Lenawee, to finance the construction of Stone Cove Road, bearing interest at 4.15%.	55,461	0	3,289	52,172
Compensated absences	3,330	0	0	3,330
Total General Long-Term Debt	58,791	0	3,289	55,502
	<u>\$7,337,524</u>	<u>\$0</u>	<u>\$494,412</u>	<u>\$6,843,112</u>

CHARTER TOWNSHIP OF MADISON

Notes to Financial Statements Year Ended December 31, 2004

Note 9

Long-Term Debt (Continued)

2003 Lenawee County Refunding Bonds

On August 27, 2003, the County of Lenawee issued \$700,000 of its bonds to partially fund the retirement of the 1992 Contract Payable for Water System No. 3 Construction. On September 15, 2003, Madison Township transferred \$1,141,167 from the Downtown Development Authority to the 1992 Debt Retirement Fund at Lenawee County. The combined proceeds were used to retire the remaining debt of \$1,835,000. The Township has entered into an agreement with the County, whereby the Township has agreed to make annual installment payments to the County in amounts sufficient to enable the County to retire the bond principal and interest as they come due. The Township has pledged its full faith and credit for these contractual payments to the County. As of December 31, 2004, \$515,000 of the contract payable principal was outstanding and it is recorded in the Sewer and Water Fund of the Township.

<u>Due Date</u>	<u>Interest Rate</u>	<u>Interest Amount</u>	<u>Principal Amount</u>	<u>Total</u>
04/01/2005	1.500	\$ 4,950	\$195,000	\$199,950
10/01/2005		3,488		3,488
04/01/2006	2.000	3,488	205,000	208,488
10/01/2006		1,437		1,437
04/01/2007	2.500	1,437	115,000	116,437
		<u>\$14,800</u>	<u>\$515,000</u>	<u>\$529,800</u>

2003 Contract Payable to Lenawee County for Sewage Disposal System Bonds

On April 16, 2003, the County of Lenawee issued \$4,410,000 of its bonds to fund the costs of constructing, maintaining and operating a sewage disposal system within the County, with the Charter Township of Madison's share equaling \$3,533,733. The sewage disposal system will serve property in the Township of Palmyra and the Charter Township of Madison. The Charter Township of Madison is financing part of their portion of the costs through a settlement it reached with the State of Michigan regarding the connection charges for its prison facilities. The State has agreed to pay Madison \$2,700,000 plus interest, in 240 equal monthly installments.

CHARTER TOWNSHIP OF MADISON

Notes to Financial Statements Year Ended December 31, 2004

Note 9 Long-Term Debt (Continued) 2003 Contract Payable to Lenawee County for Sewage Disposal System Bonds (Continued)

<u>Due Date</u>	<u>Interest Rate</u>	<u>Interest Amount</u>	<u>Principal Amount</u>	<u>Totals</u>
04/01/2005		\$84,694		\$84,694
10/01/2005	3.000	84,694	\$170,000	254,694
04/01/2006		82,144		82,144
10/01/2006	3.000	82,144	170,000	252,144
04/01/2007		79,594		79,594
10/01/2007	3.000	79,594	175,000	254,594
04/01/2008		76,969		76,969
10/01/2008	3.250	76,969	180,000	256,969
04/01/2009		74,044		74,044
10/01/2009	3.375	74,044	180,000	254,044
04/01/2010		71,006		71,006
10/01/2010	3.375	71,006	190,000	261,006
04/01/2011		67,800		67,800
10/01/2011	3.500	67,800	195,000	262,800
04/01/2012		64,388		64,388
10/01/2012	3.650	64,388	200,000	264,388
04/01/2013		60,737		60,737
10/01/2013	3.750	60,737	210,000	270,737
04/01/2014		56,800		56,800
10/01/2014	3.850	56,800	220,000	276,800
04/01/2015		52,565		52,565
10/01/2015	3.950	52,565	225,000	277,565
04/01/2016		48,121		48,121
10/01/2016	4.050	48,121	235,000	283,121
04/01/2017		43,363		43,363
10/01/2017	4.150	43,363	245,000	288,363
04/01/2018		38,278		38,278
10/01/2018	4.250	38,278	255,000	293,278
04/01/2019		32,860		32,860
10/01/2019	4.350	32,860	265,000	297,860
04/01/2020		27,096		27,096
10/01/2020	4.400	27,096	280,000	307,096
04/01/2021		20,936		20,936
10/01/2021	4.500	20,936	295,000	315,936
04/01/2022		14,299		14,299
10/01/2022	4.550	14,299	305,000	319,299
04/01/2023		7,360		7,360
10/01/2023	4.600	7,360	320,000	327,360
		<u>\$2,006,108</u>	<u>\$4,315,000</u>	<u>\$6,321,108</u>
		\$2,006,108	\$4,315,000	\$6,321,108
		x .8013	x .8013	x .8013
Madison Township's portion		<u>\$1,607,494</u>	<u>\$3,457,610</u>	<u>\$5,065,104</u>

CHARTER TOWNSHIP OF MADISON

Notes to Financial Statements Year Ended December 31, 2004

Note 9

Long-Term Debt (Continued)

2003 Contract Payable to Lenawee County for Sewage Disposal System Bonds (Concluded)

Allocation of debt service costs is based on Madison's share of the system which includes the construction of approximately 8,500 feet of sewer main and its share of the plant capacity based on the total number of residential equivalent units (REU's). As of December 31, 2004, the Charter Township of Madison's allocation is 80.13%.

1997 Contract Payable to Lenawee County for Water Bonds

On July 1, 1997, the County of Lenawee issued \$3,460,000 of its bonds to partially fund the cost of improvements to the water system of the Charter Township of Madison. The Township has entered into an agreement with the County whereby the Township has agreed to make annual installment payments to the County in amounts sufficient to enable the County to retire the bond principal and interest as they come due. The Township has pledged its full faith and credit for these contractual payments to the County. As of December 31, 2004, \$2,470,000 of the contract payable principal was outstanding and it is recorded in the Sewer and Water Fund of the Township.

<u>Due Date</u>	<u>Interest Rate</u>	<u>Interest Amount</u>	<u>Principal Amount</u>	<u>Total</u>
05/01/2005	4.875	\$ 61,299	\$ 190,000	\$ 251,299
11/01/2005		56,668		56,668
05/01/2006	4.875	56,668	190,000	246,668
11/01/2006		52,036		52,036
05/01/2007	4.875	52,036	190,000	242,036
11/01/2007		47,405		47,405
05/01/2008	4.900	47,405	190,000	237,405
11/01/2008		42,750		42,750
05/01/2009	5.000	42,750	190,000	232,750
11/01/2009		38,000		38,000
05/01/2010	5.000	38,000	190,000	228,000
11/01/2010		33,250		33,250
05/01/2011	5.000	33,250	190,000	223,250
11/01/2011		28,500		28,500
05/01/2012	5.000	28,500	190,000	218,500
11/01/2012		23,750		23,750
05/01/2013	5.000	23,750	190,000	213,750
11/01/2013		19,000		19,000
05/01/2014	5.000	19,000	190,000	209,000
11/01/2014		14,250		14,250
05/01/2015	5.000	14,250	190,000	204,250
11/01/2015		9,500		9,500
05/01/2016	5.000	9,500	190,000	199,500
11/01/2016		4,750		4,750
05/01/2017	5.000	4,750	190,000	194,750
		<u>\$801,017</u>	<u>\$2,470,000</u>	<u>\$3,271,017</u>

CHARTER TOWNSHIP OF MADISON

Notes to Financial Statements Year Ended December 31, 2004

Note 9

Long-Term Debt (Continued)

1995 Water Supply System Bonds (Concluded)

On June 1, 1995, the Township issued \$685,000 of its bonds to fund the cost of improvements to the water system. The bond principal and interest will be repaid from the proceeds of special assessments that are being charged to the users of the system improvements. As of December 31, 2004, \$345,000 of the bonds payable principal was outstanding and it is recorded in the Sewer and Water Fund of the Township.

<u>Due Date</u>	<u>Interest Rate</u>	<u>Interest Amount</u>	<u>Principal Amount</u>	<u>Total</u>
05/01/2005	5.200	\$ 9,632	\$ 45,000	\$ 54,632
11/01/2005		8,463		8,463
05/01/2006	5.300	8,463	40,000	48,463
11/01/2006		7,402		7,402
05/01/2007	5.400	7,402	35,000	42,402
11/01/2007		6,458		6,458
05/01/2008	5.500	6,458	40,000	46,458
11/01/2008		5,358		5,358
05/01/2009	5.600	5,358	40,000	45,358
11/01/2009		4,237		4,237
05/01/2010	5.700	4,237	40,000	44,237
11/01/2010		3,097		3,097
05/01/2011	5.800	3,097	40,000	43,097
11/01/2011		1,938		1,938
05/01/2012	5.900	1,938	25,000	26,938
11/01/2012		1,200		1,200
05/01/2013	6.000	1,200	20,000	21,200
11/01/2013		600		600
05/01/2014	6.000	600	10,000	10,600
11/01/2014		300		300
05/01/2015	6.000	<u>300</u>	<u>10,000</u>	<u>10,300</u>
		<u>\$87,738</u>	<u>\$345,000</u>	<u>\$432,738</u>

2001 Special Assessment Loan

On December 10, 2001, the Township borrowed \$63,000 from the Bank of Lenawee to fund the cost of paving Stone Cove Pointe Road. The loan principal and interest will be repaid from the proceeds of special assessments that are being levied on the real estate along Stone Cove Pointe Road. As of December 31, 2004, \$52,130 of the promissory note was outstanding.

<u>Due Date</u>	<u>Interest Rate</u>	<u>Interest Amount</u>	<u>Principal Amount</u>	<u>Total</u>
06/01/2005	4.150	\$2,161	\$ 3,469	\$ 5,630
06/01/2006	4.150	<u>2,017</u>	<u>48,703</u>	<u>50,720</u>
		<u>\$4,178</u>	<u>\$52,172</u>	<u>\$56,350</u>

CHARTER TOWNSHIP OF MADISON

Notes to Financial Statements Year Ended December 31, 2004

Note 9 Long-Term Debt (Concluded)

The annual requirements to pay principal and interest on long-term debt outstanding at December 31, 2004, excluding compensated absences, are as follows:

<u>Fiscal Years</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$3,469	\$2,161	\$5,630
2006	48,661	2,017	50,678
	<u>\$52,130</u>	<u>\$4,178</u>	<u>\$56,308</u>

<u>Fiscal Years</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$566,221	\$280,231	\$846,452
2006	571,221	261,138	832,359
2007	480,228	242,295	722,523
2008	374,234	225,322	599,556
2009	374,234	209,008	583,242
2010-2014	1,898,320	793,460	2,691,780
2015-2019	1,561,595	387,909	1,949,504
2020-2024	961,561	111,687	1,073,248
	<u>\$6,787,614</u>	<u>\$2,511,050</u>	<u>\$9,298,664</u>

Note 10 Property Taxes

The Township bills and collects its own property taxes and also taxes for the County of Lenawee, Adrian Public Schools, Madison School District, Sand Creek Community Schools and the Lenawee County Intermediate School District. Collections are accounted for in the Tax Collection Agency Fund. For 2004, the Township levied, on December 31, 2003 1.00 mills for general operating, .9963 mills for fire operating and 1.1955 mills for road maintenance due and payable on February 14, 2004. The valuation for real and personal property totaled \$174,034,818 which was based on December 31, 2003 assessments.

The taxes receivable of \$1,975,371 and the \$2,771,430 liability to the taxing authorities reflected in the Tax Collection Agency Fund relate to the December 2004 tax bills. The Township's share of these taxes will be reflected as revenues in 2005.

CHARTER TOWNSHIP OF MADISON

Notes to Financial Statements Year Ended December 31, 2004

Note 11 Tax Increment Financing

Tax increment financing is the setting aside of the taxes generated by an increase in the assessed value of the designated properties for a specific purpose.

On March 13, 1990, the Township adopted a Tax Increment Financing Authority plan for the Madison Downtown Development District as allowed under the Downtown Development Act, Act No. 197 of the Public Acts of 1975. The plan is devoted to the planned and orderly revitalization of the downtown business district. For the fiscal Year Ended December 31, 2004, the Downtown Development Authority Special Revenue Fund recorded \$646,946 as property tax revenue generated from the downtown development district, which included \$346,561 settlement of prior year's taxes forwarded by Lenawee County.

Note 12 Segment Information for Enterprise Fund

The Township maintains one Enterprise Fund which provides water and sanitary sewer services to Township residents and businesses. Segment information for the Year Ended December 31, 2004 follows:

	<u>Combined</u>	<u>Water</u>	<u>Sewer</u>
Operating revenues	\$ 864,202	\$ 265,766	\$ 598,436
Depreciation and amortization	472,204	213,688	258,516
Operating income (loss)	(420,241)	(117,501)	(302,740)
Net income (loss) before contributions and transfers	(703,793)	(231,702)	(472,091)
Contributed capital	2,830,275	59,598	2,770,677
Property and equipment:			
Additions	65,261		
Bonds and contracts payable	6,787,610		
Total assets	22,136,537		
Total net assets	15,154,774		

Note 13 Connection Fees and Special Assessment Receivable

On December 20, 2002, the Charter Township of Madison, Lenawee County, Michigan entered into an agreement with the State of Michigan Department of Management and Budget, Office of Infrastructure Services, acting on behalf of the Michigan Department of Corrections. The agreement outlines the terms and conditions under which the existing sanitary sewer collection facilities at the Gus Harrison Correctional Facility and the Parr Highway Correctional Facility are to be connected to the new Central Lenawee Sewage Disposal System. In consideration for allocating 900 REUs (Residential Equivalent Units) of Madison Township's capacity, the State shall pay a connection charge to Madison Township in the amount of \$2,700,000 (representing 900 REUs at \$3,000 per REU) payable in 240 consecutive monthly installments together with interest on the unpaid balance. Payments were to commence on the first day of the month following the date on which the facilities are connected to the newly completed system with an effective interest rate of 4.22% (the average rate of the Sewage Disposal System Bonds used to fund the construction of the facility). The \$2,700,000 has been included in the Statement of Activities as an operating contribution in the Government-wide Statements and also included in connection fees under Capital Contributions in the Statement of Revenues, Expenses and Changes in Net Assets-Proprietary Funds. As of December 31, 2004 the State had an unpaid balance for sewer connection fees in the amount \$2,678,381. This amount is included in the amount reported for Special assessments receivable in the Statement of Net Assets-Proprietary Funds.

CHARTER TOWNSHIP OF MADISON

Notes to Financial Statements Year Ended December 31, 2004

Note 13 Connection Fees and Special Assessment Receivable (Concluded)

A summary of the total collections per year remaining due from the state follows:

<u>Year of Collections</u>	<u>Interest Amount</u>	<u>Principal Amount</u>	<u>Totals</u>
2005	\$120,430	\$96,360	\$216,790
2006	107,177	92,936	200,113
2007	103,179	96,935	200,114
2008	99,008	101,106	200,114
2009	94,658	105,456	200,114
2010	90,121	109,993	200,114
2011	85,388	114,726	200,114
2012	80,451	119,662	200,113
2013	75,303	124,811	200,114
2014	69,933	130,181	200,114
2015	64,332	135,782	200,114
2016	58,490	141,624	200,114
2017	52,396	147,718	200,114
2018	46,041	154,073	200,114
2019	39,412	160,702	200,114
2020	32,497	167,617	200,114
2021	25,285	174,829	200,114
2022	17,763	182,351	200,114
2023	9,917	190,197	200,114
2024	2,087	131,323	133,410
	<u>\$1,273,868</u>	<u>\$2,678,382</u>	<u>\$3,952,250</u>

Note 14 Interfund Receivable and Payable Balances

Balances as of December 31, 2004 were:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund:		
Water and Sewer Fund	\$101,673	
Construction Code Fund	6,383	
Water/Sewer:		
DDA Fund	200,000	
General Fund		\$101,673
Building Department:		
General Fund		6,383
DDA Fund:		
Water and Sewer Fund		<u>200,000</u>
	<u>\$308,056</u>	<u>\$308,056</u>

CHARTER TOWNSHIP OF MADISON

Notes to Financial Statements Year Ended December 31, 2004

Note 15 Compensated Absences

The Township allows employees to accumulate vacation days; however, did not record any changes in accrued accumulated vacation pay as of December 31, 2004. The accumulated vacation pay is accrued in the government-wide financial statements. In the fund financial statements these amounts are reported when paid.

Note 16 Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions and employee injuries (workman's compensation). The Township has purchased commercial insurance for property loss, torts, errors, omissions and employee injuries.

Note 17 Unemployment Compensation

Effective January 1, 1975, political subdivisions became subject to the Michigan Employment Security Act. The Township, instead of paying regular contributions to the State Unemployment Fund, has elected to make reimbursement payments. Reimbursement payments made during the fiscal year ended December 31, 2004 were \$344.

Note 18 Retirement Commitments

Plan Description

The Charter Township of Madison is in an agent multiple-employer defined benefit pension plan with the Municipal Employees Retirement System (MERS), administered by the State of Michigan. The Township's covered payroll for employees covered by the system for the year ended December 31, 2004 was \$400,330 out of a total of \$634,542.

All full time Township employees are eligible to participate in MERS. Benefits vest after 10 years of service. Township employees who retire at or after age 60 with 10 years, age 55 with 15 years, and age 50 with 25 years of credited service are entitled to an annual retirement benefit of 2.0% of a members five year final average compensation, payable until attainment of the age at which unreduced social security benefits are available (currently age 65 for normal retirement, gradually increasing to age 67). Upon attainment of this age, the benefit reverts to 1.7% of a members five year final average compensation. The system also provides disability retirement allowance, non duty death allowance, duty connected death and post retirement adjustments. These benefit provisions and all other requirements are established by state statute and Township Council resolution.

The Municipal Employees Retirement System of Michigan issues a publically available financial report which may be obtained by writing to MERS, 447 North Canal Road, Lansing, Michigan, 48197.

Funding Policy

Employees contribute 5.0% of their wages to the plan. The Township is required to contribute the remaining amounts necessary to fund the system, using the actuarial basis specified by State statute. The Township's annual required contribution was \$26,444 for the fiscal year ending December 31, 2004. The contribution requirements of plan members and the Township are established by the Township and by the MERS Board of Trustees. The required contribution was determined as part of the December 31, 2003 actuarial valuation using the entry age normal cost method.

Significant actuarial assumptions include 1) a rate of return on the investment of present and future assets of 8.0% per year compounded annually 2) projected salary increases of 4.5% per year compounded annually, attributable to inflation 3) additional projected salary increases ranging from 0.0% to 4.16% per year, depending on age, attributable to seniority/merit and 4) the assumption that benefits will increase 2.5% per year (annually) after retirement.

CHARTER TOWNSHIP OF MADISON

Notes to Financial Statements Year Ended December 31, 2004

Note 18 Retirement Commitments (Concluded)

Funding Policy (Concluded)

The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five year period. The Township's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over 30 years.

Contributions Required and Contributions Made

MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment were determined using an attained age actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years.

The contribution to MERS for the year ended December 31, 2004, of \$47,532 was made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of December 31, 2003. The Township contributed \$26,444 and employees contributed \$21,088.

Three-year Trend Information

	<u>Valuation Ended December 31,</u>		
	<u>2001</u>	<u>2002</u>	<u>2003</u>
Actuarial value of assets	\$292,021	\$315,078	\$359,081
Actuarial accrued liability			
(entry age)	437,019	485,110	511,369
Unfunded (overfunded) AAL	144,998	170,032	152,288
Funded ratio 67%	65%	65%	70%
Annual covered payroll	351,938	367,234	352,840
UAAL as a percentage of annual covered payroll	41%	46%	43%

CHARTER TOWNSHIP OF MADISON

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Budget and Actual

Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Taxes:				
Property taxes	\$158,000	\$158,000	\$145,070	(\$12,930)
Income in lieu of property taxes	18,938	18,938	16,664	(2,274)
Industrial facilities tax	3,982	3,982	4,665	683
Penalties & interest on taxes	2,000	2,000	1,654	(346)
	<u>182,920</u>	<u>182,920</u>	<u>168,053</u>	<u>(14,867)</u>
Licenses and Permits:				
Business licenses and permits	0	0	1,810	1,810
State Grants:				
State revenue sharing	553,975	553,975	490,325	(63,650)
Liquor license fees	2,200	2,200	2,311	111
	<u>556,175</u>	<u>556,175</u>	<u>492,636</u>	<u>(63,539)</u>
Charges for services	8,500	8,500	28,754	20,254
Fines and Forfeits:				
Fines	5,000	5,000	4,809	(191)
Interest and Rentals:				
Interest	5,000	5,000	4,134	(866)
Property rental	0	0	5,036	5,036
Equipment rental	0	0	1,191	1,191
	<u>5,000</u>	<u>5,000</u>	<u>10,361</u>	<u>5,361</u>
Ambulance services	200,000	200,000	147,692	(52,308)
Other Revenue:				
Other revenue	2,700	2,700	14,329	11,629
Total Revenues	960,295	960,295	868,444	(91,851)
Expenditures				
Legislative:				
Township Board	23,880	23,880	26,880	(3,000)
General government:				
Supervisor	24,500	24,500	13,500	11,000
Elections	8,400	8,400	4,841	3,559
Assessor	31,000	31,000	34,181	(3,181)
Attorney	30,000	30,000	18,890	11,110
Clerk	34,511	34,511	28,330	6,181
Payroll services	1,950	1,950	2,190	(240)
Audit	12,000	12,000	6,000	6,000
Treasurer	27,061	27,061	28,710	(1,649)
Total General Government	<u>169,422</u>	<u>169,422</u>	<u>136,642</u>	<u>32,780</u>

CHARTER TOWNSHIP OF MADISON

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Expenditures (Concluded)				
Public Safety:				
Fire protection	\$337,291	\$337,291	\$257,127	\$80,164
Police department	168,423	168,423	153,558	14,865
Zoning inspector	5,450	5,450	4,369	1,081
Ambulance	279,586	279,586	264,163	15,423
Total Public Safety	790,750	790,750	679,217	111,533
Public Works:				
Street lighting	35,000	35,000	35,350	(350)
Trash pickup	0	0	14,556	(14,556)
Drains at large	660	660	666	(6)
Total Public Works	35,660	35,660	50,572	(14,912)
Other Functions				
Planning and zoning	1,000	1,000	740	260
Zoning board of appeals	1,100	1,100	540	560
Board of review	1,550	1,550	578	972
Cemetery care	2,000	2,000	2,913	(913)
Township Office	23,000	23,000	56,529	(33,529)
Insurance	30,389	30,389	49,303	(18,914)
Total Other Functions	59,039	59,039	110,603	(51,564)
Total Expenditures	1,078,751	1,078,751	1,003,914	74,837
Excess (Deficiency) of Revenues Over Expenditures	(118,456)	(118,456)	(135,470)	(17,014)
Other Financing Sources (Uses)				
Sale of assets	0	0	9,551	9,551
Operating transfers in	65,000	65,000	0	(65,000)
Total Other Financing Sources (Uses)	65,000	65,000	9,551	(55,449)
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	(53,456)	(53,456)	(125,919)	(72,463)
Fund Balances - Beginning of Year	61,434	61,434	662,271	600,837
Fund Balances - End of Year	\$7,978	\$7,978	\$536,352	\$528,374

CHARTER TOWNSHIP OF MADISON

General Fund

Detailed Budgetary Comparison Schedule Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Legislative				
Township Board:				
Salaries	\$13,680	\$13,680	\$13,680	\$0
Benefits	1,400	1,400	1,047	353
Memberships and dues	8,000	8,000	6,436	1,564
Education	500	500	1,049	(549)
Capital outlay	0	0	4,294	(4,294)
Office Expense	300	300	374	(74)
	<u>23,880</u>	<u>23,880</u>	<u>26,880</u>	<u>(3,000)</u>
General Government				
Supervisor:				
Salaries	22,000	22,000	11,996	10,004
Benefits	1,800	1,800	918	882
Supplies	200	200	0	200
Education	500	500	586	(86)
	<u>24,500</u>	<u>24,500</u>	<u>13,500</u>	<u>11,000</u>
Elections:				
Fees & wages	3,400	3,400	2,690	710
Supplies	5,000	5,000	2,151	2,849
	<u>8,400</u>	<u>8,400</u>	<u>4,841</u>	<u>3,559</u>
Assessor:				
Contracted Services	30,000	30,000	34,181	(4,181)
Appraisal update	1,000	1,000	0	1,000
	<u>31,000</u>	<u>31,000</u>	<u>34,181</u>	<u>(3,181)</u>
Attorney:				
Legal fees	30,000	30,000	18,890	11,110
Clerk:				
Salaries	22,461	22,461	22,452	9
Benefits	2,250	2,250	1,718	532
Supplies	700	700	190	510
Education	2,800	2,800	742	2,058
Printing and publishing	6,200	6,200	3,168	3,032
Miscellaneous	100	100	60	40
	<u>34,511</u>	<u>34,511</u>	<u>28,330</u>	<u>6,181</u>
Payroll Services:				
Contracted Services	1,800	1,800	2,190	(390)
Miscellaneous	150	150	0	150
	<u>1,950</u>	<u>1,950</u>	<u>2,190</u>	<u>(240)</u>
Independent Audit:				
Auditing fees	12,000	12,000	6,000	6,000

CHARTER TOWNSHIP OF MADISON

General Fund

Detailed Budgetary Comparison Schedule Year Ended December 31, 2004 (Continued)

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Treasurer:				
Salaries	\$22,461	\$22,461	\$22,452	\$9
Benefits	1,800	1,800	1,718	82
Supplies	500	500	3,731	(3,231)
Transportation	100	100	0	100
Printing and publishing	1,000	1,000	0	1,000
Education	1,000	1,000	530	470
Miscellaneous	200	200	279	(79)
	<u>27,061</u>	<u>27,061</u>	<u>28,710</u>	<u>(1,649)</u>
 Total General Government	 169,422	 169,422	 136,642	 32,780
 Public Safety				
Fire Protection:				
Salaries	178,844	178,844	145,154	33,690
Benefits	65,147	65,147	37,611	27,536
Contracted Services	6,000	6,000	8,090	(2,090)
Office supplies	4,000	4,000	5,896	(1,896)
Operating supplies	1,000	1,000	1,808	(808)
Gas and oil	7,500	7,500	7,615	(115)
Uniforms and laundry	5,000	5,000	3,081	1,919
Buildings and grounds maintenance	6,000	6,000	3,439	2,561
Radio maintenance	4,000	4,000	8,049	(4,049)
Other maintenance	7,000	7,000	9,697	(2,697)
Travel	1,500	1,500	0	1,500
Telephone	12,000	12,000	11,854	146
Printing	1,500	1,500	413	1,087
Utilities - electric	8,000	8,000	0	8,000
Utilities - heat	10,000	10,000	0	10,000
Utilities - water(hydrant rental)	300	300	294	6
Memberships and dues	4,000	4,000	4,125	(125)
Training	5,000	5,000	4,814	186
Physicals	3,000	3,000	1,253	1,747
Equipment	3,500	3,500	777	2,723
Miscellaneous	4,000	4,000	3,157	843
	<u>337,291</u>	<u>337,291</u>	<u>257,127</u>	<u>80,164</u>

CHARTER TOWNSHIP OF MADISON

General Fund

Detailed Budgetary Comparison Schedule Year Ended December 31, 2004 (Continued)

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Police Protection:				
Salaries	\$101,992	\$101,992	\$97,592	\$4,400
Benefits	39,181	39,181	41,514	(2,333)
Supplies	3,000	3,000	2,377	623
Vehicle maintenance	5,000	5,000	2,313	2,687
Training	1,800	1,800	1,908	(108)
Physicals	750	750	0	750
Fuel	5,000	5,000	3,758	1,242
Dues and subscriptions	1,400	1,400	1,580	(180)
Uniform expense	3,000	3,000	1,638	1,362
Cell phone	800	800	32	768
Capital outlay	6,000	6,000	0	6,000
Miscellaneous	500	500	846	(346)
	168,423	168,423	153,558	14,865
Zoning Inspector:				
Fees	4,500	4,500	4,100	400
Supplies	500	500	0	500
Education	150	150	0	150
Transportation	300	300	269	31
	5,450	5,450	4,369	1,081
Ambulance:				
Salaries	162,000	162,000	181,219	(19,219)
Benefits	105,586	105,586	70,338	35,248
Vehicles expense	2,000	2,000	164	1,836
Supplies	8,000	8,000	9,275	(1,275)
Licenses	2,000	2,000	1,742	258
Education	0	0	1,425	(1,425)
	279,586	279,586	264,163	15,423
Total Public Safety	790,750	790,750	679,217	111,533
Public Works				
Street Lighting:				
Utilities	35,000	35,000	35,350	(350)
Trash Pickup:				
Contract Services	0	0	14,556	(14,556)
	0	0	14,556	(14,556)
Drains at large	660	660	666	(6)
Total Public Works	35,660	35,660	50,572	(14,912)

CHARTER TOWNSHIP OF MADISON

General Fund

Detailed Budgetary Comparison Schedule Budget and Actual Year Ended December 31, 2004 (Concluded)

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Other Functions				
Planning and Zoning:				
Fees	\$1,000	\$1,000	\$500	\$500
Supplies	0	0	240	(240)
	<u>1,000</u>	<u>1,000</u>	<u>740</u>	<u>260</u>
Zoning Board of Appeals:				
Fees	1,000	1,000	540	460
Miscellaneous	100	100	0	100
	<u>1,100</u>	<u>1,100</u>	<u>540</u>	<u>560</u>
Board of Review:				
Fees	1,500	1,500	578	922
Supplies	50	50	0	50
	<u>1,550</u>	<u>1,550</u>	<u>578</u>	<u>972</u>
Cemetery Care:				
Fees	1,000	1,000	0	1,000
Maintenance	0	0	1,143	(1,143)
Supplies	1,000	1,000	1,770	(770)
	<u>2,000</u>	<u>2,000</u>	<u>2,913</u>	<u>(913)</u>
Township Office:				
Clerical wages	15,000	15,000	18,995	(3,995)
Benefits	0	0	1,370	(1,370)
Repairs and maintenance	0	0	2,508	(2,508)
Printing and Publishing	0	0	6,899	(6,899)
Electric	5,000	5,000	14,761	(9,761)
Heat	0	0	10,585	(10,585)
Supplies	3,000	3,000	1,411	1,589
	<u>23,000</u>	<u>23,000</u>	<u>56,529</u>	<u>(33,529)</u>
Insurance (Bonds & Liability)	<u>30,389</u>	<u>30,389</u>	<u>49,303</u>	<u>(18,914)</u>
Total Other Functions	<u>59,039</u>	<u>59,039</u>	<u>110,603</u>	<u>(51,564)</u>
Total Expenditures	<u>\$1,078,751</u>	<u>\$1,078,751</u>	<u>\$1,003,914</u>	<u>\$74,837</u>

CHARTER TOWNSHIP OF MADISON

Downtown Development Authority

Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes:				
Property taxes	\$628,000	\$628,000	\$646,946	\$18,946
Interest	1,100	1,100	9,847	8,747
Total Revenues	629,100	629,100	656,793	27,693
Expenditures				
Other Functions:				
Legal expenses	10,000	10,000	975	9,025
Total Expenditures	10,000	10,000	975	9,025
Excess of Revenues Over Expenditures	619,100	619,100	655,818	36,718
Other Financing Sources (Uses)				
Transfers to other governments	(174,348)	(174,348)	0	174,348
Operating transfers out	(196,804)	(196,804)	(196,804)	0
Total Other Financing Sources (Uses)	(196,804)	(196,804)	(196,804)	0
Excess of Revenues Over Expenditures and Other Uses	422,296	422,296	459,014	36,718
Fund Balance - Beginning of Year	49,917	49,917	53,884	3,967
Fund Balance - End of Year	\$472,213	\$472,213	\$512,898	\$40,685

CHARTER TOWNSHIP OF MADISON

Building Department

Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual Year Ended December 31, 2004

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Building permit fees	\$26,000	\$26,000	\$17,049	(\$8,951)
Electrical permit fees	15,000	15,000	16,199	1,199
Mechanical permit fees	15,000	15,000	13,138	(1,862)
Plumbing permit fees	15,000	15,000	11,551	(3,449)
Plan review fees	2,000	2,000	853	(1,147)
Interest	50	50	104	54
Total Revenues	73,050	73,050	58,894	(14,156)
Expenditures				
Building Inspector:				
Fees	20,000	20,000	17,719	2,281
Mileage	1,500	1,500	1,471	29
Supplies	200	200	143	57
Education	500	500	420	80
	<u>22,200</u>	<u>22,200</u>	<u>19,753</u>	<u>2,447</u>
Electrical inspector:				
Fees	12,500	12,500	13,976	(1,476)
Mileage	650	650	546	104
Supplies	200	200	94	106
Education	500	500	445	55
	<u>13,850</u>	<u>13,850</u>	<u>15,061</u>	<u>(1,211)</u>
Mechanical inspector:				
Fees	12,500	12,500	13,686	(1,186)
Mileage	650	650	495	155
Supplies	200	200	78	122
Education	500	500	518	(18)
	<u>13,850</u>	<u>13,850</u>	<u>14,777</u>	<u>(927)</u>
Plumbing inspector:				
Fees	13,000	13,000	5,373	7,627
Mileage	550	550	379	171
Supplies	300	300	78	222
Education	500	500	443	57
	<u>14,350</u>	<u>14,350</u>	<u>6,273</u>	<u>8,077</u>
Other:				
Salaries	5,000	5,000	5,000	0
Benefits	800	800	383	417
Education	200	200	0	200
Dues and subscriptions	200	200	25	175
Utilities	750	750	0	750
Auditing fees	1,000	1,000	1,000	0
Miscellaneous	350	350	720	(370)
Capital outlay	500	500	0	500
	<u>8,800</u>	<u>8,800</u>	<u>7,128</u>	<u>1,672</u>
Total Expenditures	73,050	73,050	62,992	10,058
Excess (Deficiency) of Revenues Over Expenditures	0	0	(4,098)	(4,098)
Fund Balance - Beginning of Year	0	0	22,490	22,490
Fund Balance - End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$18,392</u>	<u>\$18,392</u>

CHARTER TOWNSHIP OF MADISON

Fire Building and Apparatus Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes:				
Property taxes	\$152,224	\$152,224	\$144,783	(\$7,441)
Income in lieu of taxes	18,938	18,938	16,664	(2,274)
Industrial facilities tax	0	0	4,648	4,648
State revenue sharing	0	0	9,565	9,565
Interest	1,000	1,000	217	(783)
Total Revenues	172,162	172,162	175,877	3,715
Expenditures				
Other Functions:				
Capital Outlay	180,500	180,500	167,259	13,241
Total Expenditures	180,500	180,500	167,259	13,241
Excess (Deficiency) of Revenues over Expenditures	(8,338)	(8,338)	8,618	16,956
Fund Balance - Beginning of Year	16,299	16,299	46,372	30,073
Fund Balance - End of Year	\$7,961	\$7,961	\$54,990	\$47,029

CHARTER TOWNSHIP OF MADISON

Stone Cove Point Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Taxes:				
Assessments	\$1,539	\$1,539	\$1,744	\$205
Assessment interest	2,855	2,855	2,139	(716)
Interest	0	0	72	72
Total Revenues	4,394	4,394	3,955	(439)
Expenditures				
Debt Service:				
Principal	3,165	3,165	3,289	(124)
Interest	2,433	2,433	2,341	92
Total Expenditures	5,598	5,598	5,630	(32)
Excess (Deficiency) of Revenues Over Expenditures	(1,204)	(1,204)	(1,675)	(471)
Fund Balance - Beginning of Year	11,050	11,050	12,838	1,788
Fund Balance - End of Year	<u>\$9,846</u>	<u>\$9,846</u>	<u>\$11,163</u>	<u>\$1,317</u>

CHARTER TOWNSHIP OF MADISON

Road Construction Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Property taxes	\$195,000	\$195,000	\$173,739	(\$21,261)
Income in lieu of taxes	22,725	22,725	19,997	(2,728)
Industrial facilities taxes	0	0	5,578	5,578
State shared revenue	0	0	3,413	3,413
Permits and fees	500	500	0	(500)
Interest	300	300	320	20
Total Revenues	218,525	218,525	203,047	(15,478)
Expenditures				
Public works:				
Maintenance and repairs	0	0	4,227	(4,227)
Capital outlay:				
Highways and streets	0	0	144,655	(144,655)
Total Expenditures	0	0	148,882	(148,882)
Excess (Deficiency) of Revenues Over Expenditures	218,525	218,525	54,165	(164,360)
Fund Balance - Beginning of Year	0	0	(2,896)	(2,896)
Fund Balance - End of Year	<u>\$218,525</u>	<u>\$218,525</u>	<u>\$51,269</u>	<u>(\$167,256)</u>

CHARTER TOWNSHIP OF MADISON

Agency Funds

Combining Statement of Changes in Assets and Liabilities Year Ended December 31, 2004

CURRENT TAX COLLECTION FUND

	Beginning Balance	Additions	Deductions	Ending Balance
Assets				
Cash in bank	\$792,622	\$3,635,712	\$3,632,275	\$796,059
Taxes receivable	2,102,007	3,575,852	3,702,488	1,975,371
Total Assets	<u>\$2,894,629</u>	<u>\$7,211,564</u>	<u>\$7,334,763</u>	<u>\$2,771,430</u>
Liabilities				
Due to taxing units	<u>\$2,894,629</u>	<u>\$3,575,852</u>	<u>\$3,699,051</u>	<u>\$2,771,430</u>
Total Liabilities	<u>\$2,894,629</u>	<u>\$3,575,852</u>	<u>\$3,699,051</u>	<u>\$2,771,430</u>

COUNTRY SIDE ESCROW BOND

Assets				
Cash in bank	<u>\$31,105</u>	<u>\$412</u>	<u>\$0</u>	<u>\$31,517</u>
Total Assets	<u>\$31,105</u>	<u>\$412</u>	<u>\$0</u>	<u>\$31,517</u>
Liabilities				
Performance bond payable	<u>\$31,105</u>	<u>\$412</u>	<u>\$0</u>	<u>\$31,517</u>
Total Liabilities	<u>\$31,105</u>	<u>\$412</u>	<u>\$0</u>	<u>\$31,517</u>

TOTAL AGENCY FUNDS

Assets				
Cash in bank	\$823,727	\$3,636,124	\$3,632,275	\$827,576
Taxes receivable	2,102,007	3,575,852	3,702,488	1,975,371
Total Assets	<u>\$2,925,734</u>	<u>\$7,211,976</u>	<u>\$7,334,763</u>	<u>\$2,802,947</u>
Liabilities				
Performance bond payable	\$31,105	\$412	\$0	\$31,517
Due to taxing units	<u>2,894,629</u>	<u>3,575,852</u>	<u>3,699,051</u>	<u>2,771,430</u>
Total Liabilities	<u>\$2,925,734</u>	<u>\$3,576,264</u>	<u>\$3,699,051</u>	<u>\$2,802,947</u>



COOLEY HEHL
WOHLGAMUTH & CARLTON
P. L. L. C. Certified Public Accountants

James R. Cooley, CPA
David K. Hehl, CPA
Robert W. Wohlgamuth, CPA
Peter H. Carlton, CPA
Matthew D. Hehl, CPA
Deborah A. Sabo, CPA

One South Monroe Street • Monroe, Michigan 48161-2281
Telephone: (734) 241-7200 • Fax: (734) 241-2637
www.chwccpa.com

Members:
American Institute of Certified Public Accountants
Michigan Association of Certified Public Accountants
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Certified Public Accountants

Board of Trustees
Charter Township of Madison
4008 S. Adrian Highway
Adrian, Michigan 49221

Report of Comments and Recommendations

Board Members:

Our audit of the financial statements of the Charter Township of Madison for the year ended December 31, 2004, was made in accordance with auditing standards generally accepted in the United States of America. These standards require, in addition to obtaining competent evidential matter through inspection, observation, inquiry and confirmation, that we determine that existing internal controls, accounting procedures and accounting records are adequate to allow us to express an opinion on the financial statements of the Township. During the course of our audit, we noted certain practices and procedures which we believe could be changed to improve existing internal controls, accounting procedures and records, and other matters.

We remind you that the following comments, and where appropriate, recommendations are somewhat limited because they are not the result of a detailed systems analysis.

New Financial Statement Format (GASB 34)

As you are aware, Governmental Accounting Standards Board (GASB) Statement No. 34 was implemented for the Township for the year ended December 31, 2004. GASB 34 has dramatically changed the look and feel of the financial statements. While the financial statements retain an element of familiarity with the continued reporting of fund based information, there are several additions and changes that provide information never before presented in the Township's annual financial report. A brief summary of the changes are as follows:

- ▶ Management Discussion and Analysis (MD&A): The MD&A provides a high-level overview of the Township's financial position and results of operations, with a focus on the government-wide financial statements.
- ▶ Government-Wide Financial Statements: These additional statements adjust the normal fund-based statements into a combined, full-accrual format (similar to for-profit commercial enterprises). This allows a financial statement reader to see the Township from a longer term, economic perspective (i.e., are today's taxpayers paying for today's services?). These statements show capital assets as part of the Township's overall financial picture.
- ▶ Budget Comparison: A financial statement reader will now be able to view actual revenues and expenditures as compared to the current budget, and also as compared to the original budget.

Improper and Illegal Actions

Nothing came to our attention during the course of the audit to indicate any improper or illegal actions.

Interfund Receivable and Payable Balances

Balances as of December 31, 2004 were:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund:		
Water and Sewer Fund	\$101,673	
Construction Code Fund	6,383	
Water/Sewer:		
General Fund		\$101,673
DDA Fund	200,000	
Construction Code:		
General Fund		6,383
DDA Fund:		
Water and Sewer Fund	_____	<u>200,000</u>
	<u>\$308,056</u>	<u>\$308,056</u>

Chart of Accounts

During the audit we noted many errors in the Township's chart of accounts.

We recommend that the Township's chart of accounts be reviewed and that any errors be corrected.

Ambulance Revenue

During our review of ambulance revenue, we noted that the revenue as reported by the fire department did not reconcile to the revenue on the general ledger and that amounts collected for and payable to other units of governments did not reconcile to the amounts actually paid to the other units of government.

We recommend the following:

- ▶ Reconcile the fire department's ambulance accounts receivable balance to the general ledger balance on a monthly basis.
- ▶ Reconcile the revenues collected and payable to other units of government to the general ledger on a monthly basis.
- ▶ Put written ambulance revenues policies and procedures in place.

Downtown Development Authority Fund

As of December 31, 2004 the Downtown Development Authority Fund had a balance of \$512,898. The Township used a substantial amount of its excess cash for a refunding of its outstanding DDA bonds in the 2003 fiscal year. The total amount of debt and length to maturity were greatly reduced. The total amount due to Madison Public Schools has not been determined at this time.

Water and Sewer Revenues

During our review of water and sewer revenues, we noted that the revenues on the billing department's computer printouts could not be reconciled to the general ledger. In addition, we noted that the water and billing process internal controls continue to be very weak because the entire process was almost entirely controlled by one person.

We recommend that the Township provide for stronger internal controls by instituting the following:

- ▶ Provide for a greater segregation of duties by involving additional personnel in the billing and collection process.
- ▶ Require prior written approval before adjustments are made to customer billings.
- ▶ Reconcile the billing department's accounts receivable balance to the general ledger balance on a monthly basis.
- ▶ Provide a method of tracing new water and sewer taps into the billing register.
- ▶ Put written water and sewer policies and procedures in place.

Sewer Department - Reserve for Sewer Replacement

The Township has reserved \$851,900 of the Water and Sewer Department's net assets for sewer replacement; however, it has not set aside the cash to fund this reserve.

We recommend that the Township set aside the cash to fund this reserve or pass a resolution eliminating the reserve.

Township Charge Accounts

The Township has several charge accounts with local merchants.

We recommend that a list of these be prepared and submitted to the Township Board for approval and that no other charge accounts be opened without prior Board approval.

Transfers

We recommend that all transfers, including budgeted transfers, be approved in the minutes.

Accounting Policies and Procedures Manual

Because of the growing complexity of the Township's finances and to assist in improving internal control, we recommend the development of an accounting policies and procedures manual. This manual would define procedures and documentation required for various financial transactions such as:

- ▶ Cash receipts
- ▶ Cash disbursements
- ▶ Ambulance service revenues
- ▶ Special assessments
- ▶ Bank account reconciliations
- ▶ Payroll
- ▶ Water and sewer billings

In addition to strengthening internal controls, such a manual would provide for continuity as new staff is hired and new board members are elected.

Board of Trustees
Charter Township of Madison

-4-

New Accounting Software

The Township is continuing to make progress on the implementation of its new financial accounting and reporting software. We recommend the old system still be maintained and reconciled monthly to the new system. Once fully implemented, the Township Board should receive complete sets of financial statements, budget and actual, each month.

Budgets

During the 2004 fiscal year the following funds had expenditures which exceeded appropriations.

	Road Construction Fund	Stone Cove Point Fund
Appropriations	\$ -	\$5,598
Expenditures	<u>148,881</u>	<u>5,630</u>
Total	<u>\$148,881</u>	<u>\$ 32</u>

We recommend that the Township Board approve budget amendments before expenditures exceed the budget.

It has been a pleasure to serve you and we appreciate the cooperation we received during the audit. We are available to meet with you at any time to answer any questions concerning this letter or the 2004 audit report.

Very truly yours,

Cooley Hohl
Wohlgenuth & Carlton

January 24, 2005